

CITY OF OELWEIN

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS &
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2005

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		I-VIII
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets-Cash Basis	A	5-6
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	7
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C	8
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	9
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E	10
Notes to Financial Statements		11-18
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements And Changes in Balances-Budget and Actual (Cash Basis)		
-All Governmental Funds and Proprietary Funds		20-21
Notes to Required Supplementary Information-Budgetary Reporting		22
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances-Nonmajor Governmental Funds	1	24
Statement of Cash Receipts, Disbursements and Changes in Cash Balances-Nonmajor Governmental Funds-Special Revenue	2	25-26
Statement of Cash Receipts, Disbursements and Changes in Cash Balances-Nonmajor Governmental Funds-Capital Projects	3	27-28
Statement of Cash Receipts, Disbursements and Changes in Cash Balances-Nonmajor Proprietary Funds	4	29-30
Schedule of Indebtedness	5	31-32
Bonds and Note Maturities	6	33
Schedule of receipts by Source and Disbursements by Function-All Governmental Funds	7	34
Schedule of Expenditures of Federal Awards	8	35
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		36-37
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance		39-40
Schedule of Findings and Questioned Costs		41-45
Staff		46

CITY OF OELWEIN

OFFICIALS

January 1, 2005 – June 30, 2005

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Larry Murphy	Mayor	January 2006
Duane Brandt	Mayor Pro Tem	January 2008
Mike Kerns	Council Member	January 2006
Viola Sims	Council Member	January 2006
Gene Vine	Council Member	January 2008
Curt Solsma	Council Member	January 2008
Rex Ericson	Council Member	January 2006
Steven H. Kendall	City Administrator/Clerk/ Treasurer	Indefinite
Mona Arthur	Deputy City Clerk/	Indefinite
Ronald VanVeldhuizen	Attorney	Indefinite

July 1, 2004 – December 31, 2004

Larry Murphy	Mayor	January 2004
Duane Brandt	Mayor Pro Tem	January 2004
Mike Kerns	Council Member	January 2006
Viola Sims	Council Member	January 2006
Jacque Greco	Council Member	January 2004
Curt Solsma	Council Member	January 2004
Rex Ericson	Council Member	January 2006
Steven H. Kendall	Administrator/Clerk/ Treasurer	Indefinite
Mona Arthur	Deputy City Clerk/	Indefinite
Ronald VanVeldhuizen	Attorney	Indefinite



RIDIHALGH, FUELLING, SNITKER, WEBER & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS & FINANCIAL CONSULTANTS

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oelwein, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Oelwein's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oelwein as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated October 14, 2005 on our consideration of the City of Oelwein's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages through are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Oelwein's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

October 14, 2005

CITY OF OELWEIN
20 2nd Ave SW, Oelwein, IA 50662
319-283-5440 Fax 319-283-4032

Larry Murphy, Mayor
Duane Brandt, Mayor Pro Tem
Curt Solsma, Council At-Large
Viola Sims, 2nd Ward Council
Gene Vine, 3rd Ward Council
Rex Ericson, 4th Ward Council
Mike Kerns, Council At-Large

Steven Kendall, City Administrator
Mona Arthur, Deputy City Clerk
Ron Van Veldhuizen, City Attorney
Jeremy Logan, Police Chief
Wally Rundle, Fire Chief
Victor Kane, Utilities Superintendent
Tom Stewart, Street Superintendent
Vivian Petrik, Librarian
Durango Steggall, Park Superintendent

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Oelwein's financial performance provides an overview of the City's activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statements that begin on page 12.

FINANCIAL HIGHLIGHTS

- The City's total revenues exceeded total expenses by \$369,567 for the year, resulting in an increase in total net assets of approximately 9% over the previous year. A 19% sewer rate increase for the new sewer plant is the primary reason for the adjustment in assets.
- The City acting as the lead agency received a \$546,919 Homeland Security grant for the 15 county LEIN region, providing equipment, salaries and expenses in law enforcement.
- A FEMA grant in the amount of \$100,181 helped the City repair the damages from the June 2004 flood.
- The City of Oelwein is in the process of building a new wastewater treatment plant with assistance from Fox Engineering of Ames, Iowa. Improvements were mandated by an Administrative Order from the Iowa Department of Natural Resources. After several years of planning, the City Council has elected to build a new plant rather than repairing a plant built in 1972.

Total cost of the project will be \$8,864,000. The City received a Community Development Block Grant of \$600,000 to help fund the cost. During 2004-2005 \$34,210 was granted. The balance of the project will be funded by a State Revolving Loan with interest of 3%. Work on the new building began in April 2005.

- The Council approved a downtown streetscape project. Howard R. Green Company was hired to design and oversee the improvements. The Vision Iowa Board approved a Community Attraction and Tourism Grant in the amount of \$750,000 to help fund the downtown streetscape and library projects. Phase I will cost \$4.5 million. A majority of this will be paid from Debt Service levies. In addition, property assessments and sales tax revenues will help fund the improvements.

- A new Oelwein Public Library is being constructed at 216 East Charles. The Library Board has hired Novak Design Group for architectural services. Local Option Sales Tax revenues, grants and pledges will fund this project. Groundbreaking occurred in August 2005.
- Industrial property was gifted to the City of Oelwein by Donaldson Company in July 2003. During 2004-05 \$47,226 in debt was issued to maintain the property. The plant is being promoted to industries for use as a manufacturing facility.
- On February 1, 2005 the City of Oelwein transferred the Ambulance Service to Covenant Medical Center, Waterloo. Staffing became a severe problem even with full time firemen covering a majority of the ambulance trips.
- Cities are required by statute to contribute to employee retirement plans. The City of Oelwein Police and Fire personnel participate in the Municipal Fire and Police Retirement System of Iowa (MFPRSI). MFPRSI employees contribute 9.35 percent of earnable compensation. Employer (City) contribution for this audit period (2004-2005) was 24.92%. The employer rates for FY 05-06 and 06-07 will be 28.21% and 27.75% respectively.
- Most other regular employees are members of Iowa Public Employees Retirement System (IPERS). The City's portion of IPERS is 5.75 percent for regular employees and 9.23% for protection class (police) employees.
- In 2003 the legislature eliminated state aid and property tax replacement funds to cities. This has caused a reduction in staff for public safety, recreation and other general fund departments.
- Water rates were increased by 1.5 % in June, 2004. Sewer rates were raised 19% three consecutive years to provide for repayment of the loan for replacement of the wastewater treatment plant. An additional increase in sewer rates will be necessary to finish the waste treatment project and repay the utility replacements downtown.
- The City's General Fund ended the year with a fund balance of \$490,225, which represents 33 percent of the funds 2004-2005 expenditures.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 was implemented in 2004 as a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report.

Report Components

This annual report consists of the following parts:

Financial Statements

Notes to the Financial Statements

Required Supplementary Information

Other Supplementary Information

Basis of Accounting

The City of Oelwein has elected to present its financial statements on a cash basis of accounting. A cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's cash basis, revenues and expenses are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City's Financial Activities

Government-wide Financial Statement

The Statement of Activities and Net Assets reports information which help express whether the City is better off than one year ago. The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- 1 – Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- 2 – Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliation between the government-wide statement and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$4,140,603 to \$4,207,512. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)			
		<u>Year ended June 30.</u>	
		<u>2005</u>	<u>2004</u>
Receipts and transfers			
Program receipts:			
Charge for service	\$	366	579
Operating grants and contributions		1,294	666
Capital grants and contributions		81	648
General receipts:			
Property tax		1,653	1,737
Local option sales tax		395	387

Tax Increment taxes	156	90
Licenses and permits	61	78
Investment earnings	104	110
Bond proceeds	963	
Bank Loan	47	60
Other general receipts	468	180
Transfers, net	<u>121</u>	<u>578</u>
Total receipts and transfers	5,709	5,113
Disbursements:		
Public safety	1,952	1,381
Public works	531	465
Health and social services		
Culture and recreation	496	663
Community and economic development	156	368
General government	260	180
Debt service	261	263
Capital projects	<u>2,022</u>	<u>1,927</u>
Total disbursements	5,678	5,247
Increase (decrease) in cash basis net assets	31	(134)
Cash basis net assets beginning of year	<u>4,176</u>	<u>4,275</u>
Cash basis net assets end of year	<u>\$ 4,207</u>	<u>4,141</u>

The City's total receipts for governmental activities increased by 11 %, or \$596,000. The total cost of all programs and services increased by approximately \$431,000, or 8%, with capital programs added this year. The significant increase in receipts was primarily the result of issuing \$962,000 in a State Revolving Fund loan in 2005 for the waste treatment plant project.

Because the City is at the maximum General Fund rate allowed (8.10) and through judicious management of the Debt Service and Trust and Agency levies, the City has not increased the tax levy for 14 years. By using reserves in the debt service fund, property tax receipts were able to be decreased by \$84,000.

The cost of all governmental activities this year was \$5,678,000 compared to \$5,247,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 4 through 11, the amount taxpayers ultimately financed for these activities was approximately \$3,551,336. This was possible because some of the cost was paid by those directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest totaling approximately \$2,126,664. Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2005 from approximately \$4,535,000 to approximately \$5,588,000, principally due to receiving loan proceeds for planned projects.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2005	2004
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 389	421
Sewer	873	821
Landfill	245	243
Recycling	84	84
Williams Center	125	92
Fuel Fund	77	57
Capital grants		
Operating Grant	31	
General receipts:		
Unrestricted interest on investments	196	14
Bond proceeds		
Other general receipts		
Total receipts	1,846	1,640
Disbursements:		
Water	444	406
Sewer	462	564
Landfill	221	222
Recycling	81	82
Fuel fund	90	58
Transfers	121	354
Total disbursements and transfers	1,672	1,686
Increase (decrease) in cash balance	338	(268)
Cash basis net assets beginning of year	<u>360</u>	<u>664</u>
Cash basis net assets end of year	<u>\$ 698</u>	<u>396</u>

Total business type activities receipts for the fiscal year were \$1,846,000 compared to \$1,640,000 last year. This increase was due to an increase in sewer rates in anticipation of establishing the repayment of \$8.3 million in the State Revolving Fund loan for the new waste treatment plant. Total disbursements and transfers for the fiscal year decreased by \$14,000.

Individual Major Governmental Fund Analysis

- As Oelwein completed the year, its governmental funds reported a combined balance of \$4,207,512; an increase of \$66,909 from last year's total of \$4,140,603. The following are the major reasons for the changes in fund balances of the major funds from the prior year.
- The General Program cash balance increased \$161,048 from the prior year to \$741,616. This increase is due mostly to FEMA flood revenues and reductions in expenditures.

- The Road Use Tax Fund cash balance increased by \$34,729 to \$345,887 during the fiscal year. This was attributable to a decrease in capital expenses during the fiscal year. The City intends to use this money for maintenance of all City roads.
- The Debt Service Fund cash balance decreased by \$102,129 to \$142,752 during the fiscal year. This decrease was due to using reserve funds for payment of bond debt. Bond principal and interest payments increased by \$9,578 in fiscal 2005.

Individual Major Business Type Fund Analysis

- The Water Fund cash balance decreased by \$17,468 to \$96,873 due to an increase in medical insurance, utility rates and capital expenditures.
- The Sewer Fund cash balance increased by \$294,923 to \$535,381, due primarily to the 19% rate increase in preparation for transferring larger monthly sums to the sewer bondsinking fund for repayment of the SRF funding on the new waste treatment plant.

Budgetary Highlights

The City amended its budget in May. This was necessary to include the Homeland Security Grant, and to cover the costs of painting two bridges and for additional disbursements in certain City departments. The City had sufficient cash balances and grant funds to absorb these additional costs.

Debt Administration

At June 30, 2005 the City had approximately \$2,109,672 in bonds and other long-term debt, compared to approximately \$2,264,748 last year as shown below.

	Outstanding Debt at Year End (Expressed in Thousands)	
	June 30, 2005	2004
General obligation bonds	\$1,975,000	2,110,000
Urban renewal tax increment financing revenue bonds	134,672	154,748
Total	\$2,109,672	2,264,748

Debt decreased during the 2005 fiscal year. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,109,672 is below its constitutional debt limit of \$8,329,326.

Economic Factors and Next Year's Budget and Rates

Oelwein's elected and appointed officials considered many factors when setting the fiscal year 2006 budget, tax rates and fees that will be charged for various City activities. Amounts available for appropriation in the operating budget are \$17.3 million, an increase of 109 % over the final 2005 budget. Three major construction projects are the reason for the large increase. They are a new waste treatment plant in the amount of \$8.9 million, a new library costing \$2.8 million, and the downtown streetscape costing 4.7 million. As these construction projects proceed the City's cash balances will decrease.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steven Kendall, City Treasurer, 20 Second Avenue SW, Oelwein, Iowa.

FINANCIAL STATEMENTS

City of Oelwein

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2005

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 1,952,294	370,402	626,350	-
Public works	531,129	41,533	632,102	-
Health and social services	-	-	-	-
Culture and recreation	495,819	153,892	27,789	-
Community and economic development	155,908	-	-	-
General government	259,696	9,662	-	-
Debt service	261,230	-	-	-
Capital projects	2,021,934	-	210,700	85,571
Enterprise	-	-	-	-
Total governmental activities	5,678,010	575,489	1,496,941	85,571
Business type activities:				
Water	443,633	389,198	-	-
Sewer	462,121	873,011	30,960	-
Nonmajor business type funds	579,536	553,119	977	-
Total business type activities	1,485,290	1,815,328	31,937	-
Total	\$ 7,163,300	2,390,817	1,528,878	85,571

General Receipts:

Property tax levied for:
 General purposes
 Tax increment financing
 Debt service
 Local option sales tax
 Grant and contributions not restricted to specific purpose
 Unrestricted interest
 Miscellaneous
 Loan proceeds
 Rents
 Sale of property
 Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year, as restated

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
 Debt service
 Permanent
 Unrestricted

Total cash basis net assets

See notes to financial statements

EXHIBIT A

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
(955,542)	-	(955,542)
142,506	-	142,506
-	-	-
(314,138)	-	(314,138)
(155,908)	-	(155,908)
(250,034)	-	(250,034)
(261,230)	-	(261,230)
(1,725,663)	-	(1,725,663)
-	-	-
(3,520,009)	-	(3,520,009)
-	(54,435)	(54,435)
-	441,850	441,850
-	(25,440)	(25,440)
-	361,975	361,975
(3,520,009)	361,975	(3,158,034)
1,614,789	-	1,614,789
155,521	-	155,521
38,369	-	38,369
394,643	-	394,643
-	-	-
66,080	10,376	76,456
124,531	86,817	211,348
962,813	-	962,813
27,312	-	27,312
46,350	-	46,350
120,928	(120,928)	-
3,551,336	(23,735)	3,527,601
31,327	338,240	369,567
4,176,185	359,933	4,536,118
\$ 4,207,512	698,173	4,905,685
\$ 244,955	-	244,955
225,909	-	225,909
3,736,648	698,173	4,434,821
\$ 4,207,512	698,173	4,905,685

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2005

	General	Special Revenue- Employee Benefits	Capital Projects Waste Plt Improve	Nonmajor Governmental Funds	Total
Receipts:					
Property tax	\$ 870,334	714,544	-	68,280	1,653,158
Tax increment financing collections	-	-	-	155,521	155,521
Other city tax	-	-	-	394,643	394,643
Licenses and permits	61,372	-	-	-	61,372
Use of money and property	51,671	610	2,158	50,018	104,457
Intergovernmental	179,531	-	34,210	1,161,550	1,375,291
Special assessments	-	-	-	45,058	45,058
Charges for service	407,599	-	-	-	407,599
Miscellaneous	94,509	18,016	183	228,563	341,271
Total receipts	1,665,016	733,170	36,551	2,103,633	4,538,370
Disbursements:					
Operating:					
Public safety	961,992	430,670	-	559,632	1,952,294
Public works	40,363	146,606	-	344,160	531,129
Health and social services	-	-	-	-	-
Culture and recreation	416,940	78,851	-	28	495,819
Community and economic development	-	179	-	155,729	155,908
General government	182,533	40,922	-	1,361	224,816
Debt service	-	-	-	261,230	261,230
Capital projects	-	-	954,073	1,102,741	2,056,814
Enterprise	-	-	-	-	-
Total disbursements	1,601,828	697,228	954,073	2,424,881	5,678,010
Excess of receipts over disbursements	63,188	35,942	(917,522)	(321,248)	(1,139,640)
Other financing sources (uses):					
Loan	-	-	962,813	-	962,813
Reimbursement Donaldsons	-	-	-	47,226	47,226
Sale of capital assets	-	-	-	40,000	40,000
Operating transfers in	168,560	-	120,000	764,897	1,053,457
Operating transfers out	(70,700)	-	-	(861,829)	(932,529)
Total other financing sources (uses)	97,860	-	1,082,813	(9,706)	1,170,967
Net change in cash balances	161,048	35,942	165,291	(330,954)	31,327
Cash balances beginning of year	580,568	12,305	278,746	3,304,566	4,176,185
Cash balances end of year	\$ 741,616	48,247	444,037	2,973,612	4,207,512
Cash Basis Fund Balances					
Restricted:					
Debt service	\$ -	-	-	372,172	372,172
Unrestricted:					
General fund	741,616	-	-	-	741,616
Special revenue funds	-	48,247	-	1,128,094	1,176,341
Capital projects	-	-	444,037	1,473,346	1,917,383
Permanent fund	-	-	-	-	-
Total cash basis fund balances	\$ 741,616	48,247	444,037	2,973,612	4,207,512

See notes to financial statements

City of Oelwein

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2005

Total governmental funds cash balances (page 15)	\$ 4,207,512
---	---------------------

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Cash basis net assets of governmental activities (page 16)

\$ 4,207,512

Net change in cash balances (page 15)
--

\$ 31,327

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Change in cash balance of governmental activities (page 16)
--

\$ 31,327

See notes to financial statements

City of Oelwein

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2005

	Enterprise Funds			
	Water	Sewer	Nonmajor	Total
Operating receipts:				
Use of money and property	\$ -	-	196	196
Intergovernmental	-	30,960	-	30,960
Charges for service	389,198	873,011	552,923	1,815,132
Total operating receipts	389,198	903,971	553,119	1,846,288
Operating disbursements:				
Business type activities	443,633	462,121	579,536	1,485,290
Total operating disbursements	443,633	462,121	579,536	1,485,290
Excess (deficiency) of operating receipts over (under) operating disbursements	(54,435)	441,850	(26,417)	360,998
Non-operating receipts (disbursements):				
Interest on investments	2,142	6,798	2,413	11,353
Miscellaneous	58,015	14,713	14,089	86,817
Total non-operating receipts(disbursements)	60,157	21,511	16,502	98,170
Excess (deficiency) of receipts over (under) disbursements	5,722	463,361	(9,915)	459,168
Operating transfers in	-	40,342	193,200	233,542
Operating transfers out	(23,190)	(208,780)	(122,500)	(354,470)
Net transfers	(23,190)	(168,438)	70,700	(120,928)
Net change in cash balances	(17,468)	294,923	60,785	338,240
Cash balances beginning of year	114,341	240,458	5,134	359,933
Cash balances end of year	\$ 96,873	535,381	65,919	698,173
Cash Basis Fund Balances				
Reserved for debt service	\$ -	-	-	-
Unreserved	96,873	535,381	65,919	698,173
Total cash basis fund balances	\$ 96,873	535,381	65,919	698,173

See notes to financial statements

SCHEDULE E

City of Oelwein

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Proprietary Funds

As of and for the year ended June 30, 2005

Total enterprise funds cash balances (page 17)	\$ 698,173
---	------------

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Cash basis net assets of business type activities (page 15)
--

\$ 698,173

Net change in cash balances (page 17)
--

\$ 338,240

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Change in cash balance of business type activities (page 15)

\$ 338,240

See notes to financial statements

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2005

1. Summary of Significant Accounting Policies

The City of Oelwein is a political subdivision of the State of Iowa located in Fayette County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Oelwein has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Fayette County's Assessor's Conference Board; Fayette County Emergency Management Commission; Fayette County Compensation Board; Fayette County E911 Board; Fayette County Emergency Medical Services; the Fayette County Local Emergency Planning Committee; and Fayette Solid Waste Management Commission and Bremer County/City of Oelwein Law Enforcement Mutual Aid; Upper Explorerland Regional Planning Commission; Firemen's Association (Mutual Aid Responses).

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2005

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2005

B. Basis of Presentation (continued)

Special Revenue:

The Employee Benefits Fund is used to account for receipt of property tax allocated for employee benefits.

Capital Projects:

The Waste Plant Improvement Fund is used to account for the cost of the improvements being made to the Wastewater Treatment Plant.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Oelwein maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

2. Cash and Pooled Investments

The City's deposits at June 30, 2005, were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2005

2. Cash and Pooled Investments (continued)

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2005.

3. Bonded Indebtedness

Annual debt service requirements to maturity for general obligation and urban renewal tax increment financing revenue bonded indebtedness are as follows:

Year Ending June 30,	General Obligation Notes & Bonds		Urban Renewal Tax Increment Financing (TIF) Revenue Bond		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	135,000	90,515	21,662	10,028	156,662	100,543
2007	295,000	86,893	23,373	8,317	318,373	95,210
2008	305,000	72,128	25,220	6,471	330,220	78,599
2009	320,000	56,605	27,212	4,478	347,212	61,083
2010	340,000	40,045	29,362	2,328	369,362	42,373
2011	125,000	22,005	7,843	306	132,843	22,311
2012	125,000	17,630	-	-	125,000	17,630
2013	130,000	13,005	-	-	130,000	13,005
2014	<u>200,000</u>	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>8,000</u>
Tot.	<u>\$2,110,000</u>	<u>500,565</u>	<u>154,748</u>	<u>57,989</u>	<u>2,264,748</u>	<u>544,107</u>

On December 23, 1998, the City issued \$221,000 in Urban Renewal Tax Increment Revenue Bond with Union Planters Bank of Oelwein, Iowa. Interest rate is 6.61%. Interest only to be paid December 1, 1999 and June 1, 2000. Thereafter, semi-annual installments of principal and interest of \$15,845 on December 1 and June 1 until paid. Bond was issued to defray a portion of the costs of carrying out an urban renewal project in the Oelwein Industrial Park Urban Renewal Area of the City, consisting of an economic development grant to Bertch Cabinet Mfg, Inc. This note had a June 30, 2005 balance of \$134,583. The City reserves the right to call and prepay any principal amount of this Bond at any time.

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2005

3. Bonded Indebtedness (continued)

On February 1, 2000, the City issued \$1,255,000 in General Obligation Corporate Purpose Note. Interest rates vary between 4.9% to 5.5%. Bankers Trust Company, N.S. of Des Moines, Iowa, is the Registrar and Paying Agent for the Notes. The Notes mature on June 1 of each year, commencing June 1, 2002, and interest is paid semiannually commencing December 1, 2000. The City reserves the right to prepay part or all of the Notes maturing in each of the years 2008 and 2010.

General Corporate Purpose Loan Agreement dated May 28, 2003. The loan matures on June 1 of each year, starting June 1, 2004, and interest is paid semiannually, commencing December 1, 2003. Interest rates are from 1.50% to 4.00%. The notes maturing in each of the years 2011 to 2014, inclusive, are subject to redemption prior to maturity at the times and on the terms specified in the notes.

Essential Corporate Purpose Loan Agreement dated May 28, 2003. The loan agreement matures on June 1 of each year, starting June 1, 2004, and interest is paid semiannually, commencing December 1, 2003. Interest rates are from 1.50% to 4.00%. The notes maturing in each of the years 2011 to 2014, inclusive, are subject to redemption prior to maturity at the times and on the terms specified in the notes.

The combined General Corporate Purpose Loan and the Essential Corporate Purpose Loan had a combined balance of \$795,000 at June 30, 2005.

4. Pension and Retirement Benefits

Municipal Fire and Police Retirement System of Iowa - The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits, which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th St., Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 17%, actual was 28.21%, of earnable compensation. Contribution requirements are established by State statute. The City's contribution to the Plan for the years ended June 30, 2005, 2004 and 2003 were \$100,961, \$81,913, and \$74,460 respectively, which met the required minimum contribution for each year.

Other City Employees - The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2005

4. Pension and Retirement Benefits (continued)

provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.90%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$60,065, \$52,819 and \$53,108 respectively, equal to the required contributions for each.

5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for employee vacation hours is \$66,830. This liability has been computed based on rates of pay in effect at June 30, 2005.

Sick leave hours are accumulated for subsequent use. Sick leave is not payable upon termination, retirement or death. These accumulations are not recognized as expenditures by the City, until used or paid. This liability has been computed based on rates of pay in effect at June 30, 2005.

6. Code of Iowa

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2005, disbursements in the community and economic development function exceeded the amounts originally budgeted, before it was amended.

7. Related Party Transactions

No business between the City and City officials was noted for the year ended June 30, 2005.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2005

8. Landfill Contract

The City has contracted with Fayette County Solid Waste Management Commission for solid waste disposal for all household residences within the City. For the year ended June 30, 2005, \$138,380 was paid pursuant to the agreement.

9. Deficit Fund Balances

Capital Project Funds Housing Grant, Downtown Betterment and Brownsfield Grant had deficit balances at June 30, 2005, which the City considers temporary in nature.

10. Risk Management

The City of Oelwein is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. CEBA Grant

On April 18, 2002 the City was awarded \$234,000 from the Iowa Department of Economics Development (IDED) under the Community Economic Betterment Account (CEBA) program for the benefit of Transco. The award consisted of a loan for \$117,000 with interest at 0% for five years, and a forgivable loan portion for \$117,000. The City has entered into a similar loan/forgivable loan agreement with Transco.

The funds were received by the City in June of 2003. The City transferred this money to Transco. Payments on the \$117,000 loan are \$1,950 per month, to be received from Transco and then remitted to IDIED beginning September 1, 2003. Per letter dated June 23, 2003 IDIED has requested that Transco make payments directly to IDIED.

The balance of this forgivable loan at June 30, 2005 was \$74,100.

12. Litigation

There is no pending litigation involving the City of Oelwein.

13. Subsequent Events

Awarded contract for Downtown Betterment to Portzen Construction of Dubuque for \$3,776,314. Awarded Construction Related Services Contract for Downtown Streetscape Project to Howard R. Green Company for \$401,000.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2005

14. Budget Exceeded

Per Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2005, disbursements in the Economic Development function exceeded the original budgeted before it was amended.

15. Gift of Donaldson Property

On July 1, 2003 the Donaldson Corporation gifted the property at 301 5th Ave SW to the City.

On January 9, 2004 the City secured a revolving line of credit for \$600,000 from the First National Bank of Oelwein, Iowa for the purpose of paying the expenses of the Donaldson property. It is the intention of the City to sell the building and then to pay off the revolving loan. The loan matures January 9, 2007. Interest rate is Wall Street Journal Prime minus .50%. Interest rate at June 30, 2005 was 5.5%. The loan is secured by property at 301 5th Ave SW, Oelwein, Iowa.

16. Development Agreement with City Laundry

On May 9, 2005 the City entered into a Development Agreement with City Laundry. The City has agreed to make economic development tax increment payments to City Laundry for seven years. Total amount of payments shall not exceed \$100,000. Payments shall not constitute general obligations of the City, but shall be made solely and only from incremental property taxes received by the City from Fayette County attributable to property on which City Laundry has expanded their industrial facilities.

17. Ambulance Service

On February 1, 2005 the City turned control of the ambulance service over to Covenant Hospital. In July of 2005 Covenant paid the City \$85,000 for two ambulances and associated equipment.

REQUIRED SUPPLEMENTAL INFORMATION

City of Oelwein
 Budgetary Comparison Schedule
 of Receipts, Disbursements and Changes in Balances-
 Budget and Actual (Cash Basis)-
 All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,653,158	-	-
Tax increment financing collections	155,521	-	-
Other city tax	394,643	-	-
Licenses and permits	61,372	-	-
Use of money and property	104,457	196	-
Intergovernmental	1,375,291	30,960	-
Special assessments	45,058	-	-
Charges for services	366,466	1,815,132	-
Miscellaneous	382,404	-	-
Total Receipts	4,538,370	1,846,288	-
Disbursements:			
Public Safety	1,952,294	-	-
Public Works	531,129	-	-
Health and Social Services	-	-	-
Culture and Recreation	495,819	-	-
Community and Economic Development	155,908	-	-
General Government	259,696	-	-
Debt Service	261,230	-	-
Capital Projects	2,021,934	-	-
Business type activities	-	1,485,290	-
Total Disbursements	5,678,010	1,485,290	-
Excess (deficiency) of receipts over (under) disbursements	(1,139,640)	360,998	-
Other financing sources (uses):	1,170,967	(22,758)	-
Net	31,327	338,240	-
Balance, beginning of year	4,176,185	359,933	-
Balance, end of year	\$ 4,207,512	698,173	-

See accompanying independent auditor's report

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
1,653,158	1,583,889	1,583,889	69,269
155,521	134,990	134,990	20,531
394,643	442,228	442,228	(47,585)
61,372	73,450	73,450	(12,078)
104,653	117,420	117,420	(12,767)
1,406,251	635,385	1,322,644	83,607
45,058	42,720	42,720	2,338
2,181,598	1,765,600	1,765,600	415,998
382,404	459,945	500,641	(118,237)
6,384,658	5,255,627	5,983,582	401,076
1,952,294	1,552,987	2,237,869	285,575
531,129	486,095	594,820	63,691
-	-	-	-
495,819	746,240	557,227	61,408
155,908	143,192	284,872	128,964
259,696	265,200	296,348	36,652
261,230	307,324	313,824	52,594
2,021,934	2,412,445	2,412,445	390,511
1,485,290	2,700,465	3,028,313	1,543,023
7,163,300	8,613,948	9,725,718	2,562,418
(778,642)	(3,358,321)	(3,742,136)	2,963,494
1,148,209	1,010,000	1,010,000	138,209
369,567	(2,348,321)	(2,732,136)	3,101,703
4,536,118	4,657,120	5,129,954	(593,836)
4,905,685	2,308,799	2,397,818	2,507,867

City of Oelwein

Notes to Required Supplementary Information-Budgetary Reporting

June 30, 2005

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year the budget amendment increased budgeted disbursements by \$1,111,770. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, amendments were not adopted before disbursements exceeded budget in the Public Safety and the Public Works functions.

OTHER SUPPLEMENTARY INFORMATION

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2005

	Special Revenue	Capital Projects	Debt Service		Permanant Cametary Perpetual Care	Total
			Debt Service	Special Assessments		
Receipts:						
Property tax	\$ 28,633	-	39,647	-	-	68,280
TIF Collections	155,521	-	-	-	-	155,521
Other city tax	394,643	-	-	-	-	394,643
Use of money and property	13,276	30,640	5,704	398	-	50,018
Intergovernmental	1,105,345	56,205	-	-	-	1,161,550
Special assessments	-	-	-	45,058	-	45,058
Charges for services	-	-	-	-	-	-
Miscellaneous	13,489	211,564	-	-	3,510	228,563
Total receipts	1,710,907	298,409	45,351	45,456	3,510	2,103,633
Disbursements:						
Operating:						
Public safety	559,632	-	-	-	-	559,632
Public works	344,160	-	-	-	-	344,160
Culture and recreation	28	-	-	-	-	28
Community and economic devel.	52,673	103,056	-	-	-	155,729
General government	1,361	-	-	-	-	1,361
Debt service	31,690	-	229,540	-	-	261,230
Capital projects	158,546	944,195	-	-	-	1,102,741
Enterprise	-	-	-	-	-	-
Total disbursements	1,148,090	1,047,251	229,540	-	-	2,424,881
Excess (deficiency) of receipts over (under) disbursements	562,817	(748,842)	(184,189)	45,456	3,510	(321,248)
Other financing sources:						
Loan	-	-	-	-	-	-
Reimbursement-Donaldson	-	47,226	-	-	-	47,226
Sale of capital asset	-	40,000	-	-	-	40,000
Operating transfers in	57,570	625,267	82,060	-	-	764,897
Operating transfers out	(493,004)	(323,295)	-	(45,530)	-	(861,829)
Net change in cash balances	127,383	(359,644)	(102,129)	(74)	3,510	(9,706)
Cash balances beginning of year	1,000,711	1,832,990	244,881	74	225,910	3,304,566
Cash balances end of year	\$ 1,128,094	1,473,346	142,752	-	229,420	2,973,612
Cash Basis Fund Balances						
Unreserved:						
Special revenue	\$ 1,128,094	-	-	-	-	1,128,094
Debt service	-	-	142,752	-	229,420	372,172
Capital projects fund	-	1,473,346	-	-	-	1,473,346
Total cash basis fund balances	\$ 1,128,094	1,473,346	142,752	-	229,420	2,973,612

See accompanying independent auditor's report

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds-Special Revenue

As of and for the year ended June 30, 2005

	Lein3-03	DARE	Sales Tax	Road Use Tax
Receipts:				
Property tax	-	-	-	-
Tax increemnt financing	-	-	-	-
Other city tax	-	-	394,643	-
Use of money and property	-	-	2,909	-
Intergovernmental	546,919	-	-	558,426
Miscellaneous	-	4,415	-	-
Total receipts	546,919	4,415	397,552	558,426
Disbursements:				
Operating:				
Public safety	546,571	3,929	-	-
Public works	-	-	-	344,160
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	1,361
Debt service	-	-	-	-
Capital projects	-	-	-	158,546
Total disbursements	546,571	3,929	-	504,067
Excess (deficiency) of receipts over (under) disbursements	348	486	397,552	54,359
Other financing sources:				
Operating transfers in		-		
Operating transfers out		-	(398,546)	(19,630)
Net change in cash balances	348	486	(994)	34,729
Cash balances beginning of year	-	7,085	994	311,158
Cash balances end of year	\$ 348	7,571	-	345,887
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ 348	7,571	-	345,887
Capital projects fund	-	-	-	-
Total cash basis fund balances	\$ 348	7,571	-	345,887

See accompanying independent auditor's report

Emergency	Municipal Trust	Forfitted Assets	Library Bequest	Industrial Park TIF	Bertch TIF	James Dev TIF	Total
28,633	-	-	-	-	-	-	28,633
-	-	-	-	65,320	31,675	58,526	155,521
-	-	-	-	-	-	-	394,643
-	5,230	221	4,666	22	228	-	13,276
-	-	-	-	-	-	-	1,105,345
-	-	9,074	-	-	-	-	13,489
28,633	5,230	9,295	4,666	65,342	31,903	58,526	1,710,907
-	-	9,132	-	-	-	-	559,632
-	-	-	-	-	-	-	344,160
-	-	-	28	-	-	-	28
-	-	-	-	-	-	52,673	52,673
-	-	-	-	-	-	-	1,361
-	-	-	-	-	31,690	-	31,690
-	-	-	-	-	-	-	158,546
-	-	9,132	28	-	31,690	52,673	1,148,090
28,633	5,230	163	4,638	65,342	213	5,853	562,817
-	57,570	-	-	-	-	-	57,570
(28,633)	-	-	-	(40,342)	-	(5,853)	(493,004)
-	62,800	163	4,638	25,000	213	-	127,383
-	316,934	7,648	381,708	(25,000)	184	-	1,000,711
-	379,734	7,811	386,346	-	397	-	1,128,094
-	379,734	7,811	386,346	-	397	-	1,128,094
-	-	-	-	-	-	-	-
-	379,734	7,811	386,346	-	397	-	1,128,094

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds-Capital Projects

As of and for the year ended June 30, 2005

	Sidewalk Repair	Economic Development	Housing Grant	Capital Improvement Fund	TRAILS
Receipts:					
Tax increemnt financing	\$ -	-	-	-	-
Other city tax	-	-	-	-	-
Use of money and property	2,016	682	-	-	3,105
Intergovernmental	-	48,037	-	-	3,323
Charges for Services	-	-	-	-	-
Miscellaneous	-	864	-	-	-
Total receipts	2,016	49,583	-	-	6,428
Disbursements:					
Operating:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	103,056	-	-	-
General government	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	1	51,678	57	40,000	55,402
Enterprise	-	-	-	-	-
Total disbursements	1	154,734	57	40,000	55,402
Excess (deficiency) of receipts over (under) disbursements	2,015	(105,151)	(57)	(40,000)	(48,974)
Other financing sources:					
Loan					
Reimbursement-Donaldsons	-	47,226	-	-	-
Sale of Capital Asset	-	-	-	40,000	-
Operating transfers in	-	118,750	-	-	-
Operating transfers out	(141,365)	-	-	-	-
Net change in cash balances	(139,350)	60,825	(57)	-	(48,974)
Cash balances beginning of year	139,350	66,996		-	197,094
Cash balances end of year	\$ -	127,821	(57)	-	148,120
Cash Basis Fund Balances					
Unreserved:					
Capital projects fund	\$ -	127,821	(57)	-	148,120

See accompanying independent auditor's report

SCHEDULE 3

Downtown Betterment	Sports Complex	Library Construction	Brownsfield Grant	Skateboard Park	2003 Bonding	Total
-	-	-	-	-	-	-
-	-	-	-	-	-	-
423	1,355	18,630	-	-	4,429	30,640
-	-	-	-	-	4,845	56,205
-	-	-	-	-	-	-
-	1,800	208,900	-	-	-	211,564
423	3,155	227,530	-	-	9,274	298,409
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	103,056
-	-	-	-	-	-	-
-	-	-	-	-	-	-
488,241	40,838	229,620	165	3,313	34,880	34,880
-	-	-	-	-	-	909,315
488,241	40,838	229,620	165	3,313	34,880	1,047,251
(487,818)	(37,683)	(2,090)	(165)	(3,313)	(25,606)	(748,842)
-	-	-	-	-	-	47,226
-	-	-	-	-	-	40,000
278,442	7,325	220,750	-	-	-	625,267
-	-	-	-	-	(181,930)	(323,295)
(209,376)	(30,358)	218,660	(165)	(3,313)	(207,536)	(359,644)
72,435	108,770	948,452	-	3,313	296,580	1,832,990
(136,941)	78,412	1,167,112	(165)	-	89,044	1,473,346
(136,941)	78,412	1,167,112	(165)	-	89,044	1,473,346

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2005

	Housing Authority	Landfill	Recycling
Receipts:			
Use of money and property	\$ -	-	-
Charges for services	-	244,940	83,638
Total receipts	-	244,940	83,638
Disbursements:			
Operating:			
Public safety	-	-	-
Community and economic development	-	-	-
Enterprise	-	221,343	81,371
Total disbursements	-	221,343	81,371
Excess (deficiency) of receipts over (under) disbursements	-	23,597	2,267
Other financing sources:			
Non-operating interest	-	22	78
Miscellaneous	-	-	-
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Net change in cash balances	-	23,619	2,345
Cash balances beginning of year	(585)	(21,554)	5,976
Cash balances end of year	\$ (585)	2,065	8,321
Cash Basis Fund Balances			
Reserved	\$ -	-	-
Unreserved	(585)	2,065.00	8,321
Total cash basis fund balances	\$ (585)	2,065	8,321

See accompanying independent auditor's report

SCHEDULE 4

Williams Center	Williams Center Reserve	Customer Deposits- Water	Fuel	Sewer Bond Sinking	Total
196	-	-	-	-	196
124,949	-	22,000	77,396	-	552,923
125,145	-	22,000	77,396	-	553,119
-	-	-	-	-	-
-	-	-	-	-	-
166,545	-	20,069	90,208	-	579,536
166,545	-	20,069	90,208	-	579,536
(41,400)	-	1,931	(12,812)	-	(26,417)
-	-	1,337	-	976	2,413
8,746	-	-	5,343	-	14,089
70,700	2,500	-	-	120,000	193,200
(2,500)	-	-	-	(120,000)	(122,500)
35,546	2,500	3,268	(7,469)	976	60,785
(40,081)	4,500	47,042	9,836	-	5,134
(4,535)	7,000	50,310	2,367	976	65,919
-	7,000	-	-	976	7,976
(4,535)	-	50,310	2,367	-	57,943
(4,535)	7,000	50,310	2,367	976	65,919

CITY OF OELWEIN

STATEMENT OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2005

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
General obligation corporate purpose note	2-1-00	4.90-5.50%	\$ 1,255,000
General obligation corporate purpose and refunding notes	5-28-03	7.00%	1,025,000
Revenue bonds:			
Sewer revenue bonds, series 2005		3.00%	8,954,000
Urban renewal tax increment financing (TIF) revenue bond	12-23-98	6.61%	221,000
CEBA Loan Agreement	6-24-03	0%	117,000
			<u>Amount Available</u>
Revolving Line of Credit with First National Bank of Oelwein, IA	1-9-04	Variable 3.5% at 6/30/05	600,000

see accompanying independent auditor's report

SCHEDULE 5

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
1,190,000	-	25,000	1,165,000	64,280	-
920,000	-	110,000	810,000	29,830	-
<u>\$ 2,110,000</u>	<u>-</u>	<u>135,000</u>	<u>1,975,000</u>	<u>94,110</u>	<u>-</u>
<u>\$ -</u>	<u>962,813</u>	<u>-</u>	<u>962,813</u>	<u>-</u>	<u>-</u>
<u>\$ 154,705</u>	<u>-</u>	<u>20,122</u>	<u>134,583</u>	<u>11,568</u>	<u>-</u>
<u>\$ 95,550</u>	<u>-</u>	<u>23,400</u>	<u>72,150</u>	<u>-</u>	<u>-</u>
<u>\$ 60,163</u>	<u>47,226</u>	<u>-</u>	<u>107,389</u>	<u>-</u>	<u>-</u>

CITY OF OELWEIN

BOND MATURITIES AND NOTES
June 30, 2005

General Obligation Corporate Purpose Notes Issued February 1, 2000			General & Essential Corporate Purpose Loan Agreements Issued May 28, 2003	
Ending June 30,	Interest Rates	Amount	Interest Rates	Amount
2006	5.25%	\$ 25,000	2.10%	110,000
2007	5.30%	265,000	2.40%	30,000
2008	5.35%	275,000	2.70%	30,000
2009	5.40%	290,000	3.00%	30,000
2010	5.50%	310,000	3.30%	30,000
2011	-	-	3.50%	125,000
2012	-	-	3.70%	125,000
2013	-	-	3.85%	130,000
2014	-	-	4.00%	200,000
		<u>\$ 1,165,000</u>		<u>810,000</u>
Urban Renewal Tax Increment Financing (TIF) Revenue Bond Issued December 23, 1998			CEBA Loan Agreement Dated June 24, 2003	
Ending June 30,	Interest Rates	Amount	Interest Rates	Amount
2006	6.61%	\$ 21,662	0%	23,400
2007	6.61%	23,373	0%	23,400
2008	6.61%	25,220	0%	23,400
2009	6.61%	27,212	0%	3,900
2010	6.61%	29,362	0%	-
2011	6.61%	7,843	0%	-
		<u>\$ 134,672</u>		<u>74,100</u>

See accompanying independent auditor's report

CITY OF OELWEIN

BOND MATURITIES AND NOTES
June 30, 2005

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2011	-	-	3.50%	125,000
2012	-	-	3.70%	125,000
2013	-	-	3.85%	130,000
2014	-	-	4.00%	200,000
		<u>\$ 1,165,000</u>		<u>810,000</u>
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2011	6.61%	7,843	0%	-
		<u>\$ 134,672</u>		<u>74,100</u>

See accompanying independent auditor's report

City of Oelwein

Schedule of Receipts by Source and Disbursements by Function
All Governmental Funds
For the Last Three Years

	2005	2004	2003
Receipts:			
Property tax	\$ 1,653,158	1,706,870	1,612,613
Tax increment financing	155,521	90,268	51,842
Other city tax	394,643	417,543	432,213
Licenses and permits	61,372	78,327	-
Use of money and property	104,653	107,734	68,504
Intergovernmental	1,406,251	1,303,511	1,077,315
Special assessments	45,058	56,469	61,438
Charges for service	2,181,598	232,155	386,042
Miscellaneous	567,800	548,122	209,744
Total	<u>\$ 6,570,054</u>	<u>4,540,999</u>	<u>3,899,711</u>
Disbursements:			
Operating:			
Public safety	\$ 1,952,294	1,131,217	1,409,004
Public works	531,129	464,877	660,750
Health and social services	-	-	-
Culture and recreation	495,819	662,826	657,988
Community and economic development	155,908	368,224	86,384
General government	259,696	179,565	232,855
Debt service	261,230	263,285	1,363,908
Capital projects	2,021,934	1,758,826	193,445
Enterprise	1,485,290	168,583	742
Total	<u>\$ 7,163,300</u>	<u>4,997,403</u>	<u>4,605,076</u>

See accompanying independent auditor's report

City of Oelwein

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See accompanying independent auditor's report



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Oelwein, Iowa, as of and for the year ended June 30, 2005, and have issued our report thereon dated October x, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Oelwein's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items IV-B-4.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oelwein's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we

consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Oelwein's ability to record process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Oelwein and other parties to whom City of Oelwein may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We should like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Oelwein during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

RIDIHALGH, FUELLING, SNITKER, WEBER AND COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTS

October 14, 2005

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over compliance



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**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance**

To the Honorable Mayor and
Member of the City Council:

Compliance

We have audited the compliance of the City of Oelwein, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2005. The City of Oelwein's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Oelwein's management. Our responsibility is to express an opinion on the City of Oelwein's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Oelwein's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Oelwein's compliance with those requirements.

In our opinion, the City of Oelwein complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the City of Oelwein is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Oelwein's internal control over compliance with

requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the formation and use of the officials, employees and citizens of the City of Oelwein and other parties to whom the City of Oelwein may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.

October 14, 2005

CITY OF OELWEIN
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part I - Summary of the Independent Auditor's Results

- a.) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b.) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- c.) The audit did not disclose any non-compliance which is material to the financial statements.
- d.) No reportable condition in internal control over the major program was disclosed by the audit of the financial statements.
- e.) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- f.) The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- g.) The major program was CFDA Number 97.004
- h.) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i.) The City of Oelwein did not qualify as a low-risk auditee.

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2005

Part II - Findings Related to the Financial Statements

Instances of non-compliance:

No matters were noted.

Reportable Conditions:

None

CITY OF OELWEIN
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part III: Findings and Questioned Cost For federal Awards:

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

None

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2005

Part IV – Other Findings Related to Statutory Reporting:

IV-A-05 Official Depositories--A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget--Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the Public Safety function and the Public Works function before it was amended. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under on annual or continuing appropriation, and that amendments should be adopted before disbursements exceed the function budget.

Recommendation--The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, when applicable.

Conclusion – Response accepted.

IV-C-05 Questionable Disbursements--No expenditures were noted for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-05 Travel Expenses--No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-05 Business Transactions--No business transactions between the City and City officials or employees were noted.

IV-F-05 Bond Coverage--Security bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.

CITY OF OELWEIN
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

- IV-G-05 Council Minutes--No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, not all were published within fifteen days as required by Chapter 372.13(5) of the Code of Iowa.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.

Response - We will publish minutes as required.

Conclusion - Response accepted.

- IV-H-05 Deposits and Investments--We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

- IV-I-05 Temporary Investments--The City has a systematic investment program. During the year ended June 30, 2005, the investments resulted in interest income of \$76,869.

- IV-J-05 Financial Condition--At June 30, 2005 the City had a deficit balance in the Housing Grant fund, the Downtown Betterment fund and the Brownsfield Grant fund which the City considers temporary in nature.

- IV-K-05 Miscoding of Expenditures--Capital outlays under Special Revenue Street fund were miscoded to Public Works function instead of the Capital Outlay function. This was not caught due to the original setup of the budget on the computer or comparison of actual expenditures to the published budget.

Recommendation--City should investigate their software or look at software that will compare actual expenditures to budget and allow the budget inputted into the computer to be compared to the published budget.

Response--The City will investigate current software to determine if current software will produce a program to allow them to compare actual expenditures to published budget or look into new software.

Conclusion--Response accepted.

CITY OF OELWEIN

AUDIT STAFF

This audit was performed by:

Donald A. Snitker, CPA